

Colorado Legislative Council Staff Fiscal Note

STATE
FISCAL IMPACT

Drafting Number: LLS 15-0925 **Date:** April 29, 2015
Prime Sponsor(s): Rep. Pabon; Rankin **Bill Status:** House Finance
 Sen. Steadman; Lambert **Fiscal Analyst:** Clare Pramuk (303-866-2677)

BILL TOPIC: END TRANSFER OF MED MARIJUANA TO RETAIL MARIJUANA

Fiscal Impact Summary*	FY 2014-2015 Current year	FY 2015-2016	FY 2016-2017
State Revenue Cash Funds		Increase. See State Revenue Section.	
State Expenditures Cash Funds	Minimal workload increase. See State Expenditures section.		
FTE Position Change			
Appropriation Required: None.			

* This summary shows changes from current law under the bill for each fiscal year.

This fiscal note should be considered preliminary. It will be revised if new information becomes available.

Summary of Legislation

Beginning July 1, 2015, the bill prohibits a medical marijuana business that receives a retail marijuana establishment license from transferring any of its medical marijuana inventory to the new retail marijuana establishment.

Background

Retail marijuana is subject to a 15 percent excise tax that is applied when the product is first transferred from the cultivator to a manufacturer or retail store. When a licensed medical marijuana business receives a retail marijuana establishment license, the business is allowed a one-time transfer of its marijuana plants and inventory without paying the 15 percent excise tax.

Between January 1, 2014, and March 31, 2015, retail marijuana businesses paid \$17.8 million in excise taxes. Per Amendment 64, the first \$40 million collected per year are deposited into the Public School Capital Construction Assistance Fund, also known as the BEST Fund. Amounts collected over \$40 million are deposited in the Marijuana Tax Cash Fund.

After the first full year of collections, the excise tax is not subject to the limitations on revenue, spending, or appropriations contained in Section 20 of Article X of the State Constitution (TABOR).

State Revenue

By eliminating the one-time tax-exempt transfer of medical marijuana inventory to a retail marijuana establishment, this bill will increase the amount of excise tax revenue generated beginning July 1, 2015. Retail marijuana establishments will be required to cultivate their own marijuana or purchase marijuana from a licensed retail marijuana cultivator which will be subject to the excise tax. However, because there is insufficient data regarding the tendency for medical marijuana businesses to convert to or add a retail marijuana establishment license, the increase in excise tax revenue cannot be estimated.

State Expenditures

This bill will result in a minimal increase in workload for the Marijuana Enforcement Division (MED) in the Department of Revenue to track medical marijuana plants and inventory when a medical marijuana licensee either converts to a retail marijuana establishment license, or dually licenses for medical and retail marijuana. The MED will also need to modify its rules and notify current medical marijuana licensees of this change. This can be addressed within existing appropriations.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

Revenue